

Message Text

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PAGE 01 DAMASC 00473 01 OF 02 111655Z

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ACTION NEA-09

INFO OCT-01 ISO-00 EB-07 XMB-02 L-02 TRSE-00 AID-05

CIAE-00 INR-07 NSAE-00 /033 W
----- 110242

R 101349Z FEB 75

FM AMEMBASSY DAMASCUS

TO SECSTATE WASHDC 2614

INFO AMEMBASSY BEIRUT

LIMITED OFFICIAL USE SECTION 1 OF 2 DAMASCUS 0473

E.O. 11652: N/A

TAGS: EFIN, SY, US

SUBJECT: CLAIMS NEGOTIATIONS: EXPORT-IMPORT BANK

REFS: A. DAMASCUS 2990; B. STATE 025072; C. STATE 017555

1. SUMMARY. AMBASSADOR DISCUSSED EXIM CLAIM WITH MIN ECONOMY AND FOREIGN TRADE IMADI FEB 8. IMADI EXPLAINED WHY IN SYRIAN VIEW SARG WAS NOT FULL LEGAL SUCCESSOR-IN-INTEREST TO BOUSTANY. HE CONFIRMED BOUSTANY STILL INTERESTED IN RETURNING TO SYRIA AND SAID MINISTRY WOULD BE WILLING TO URGE BOUSTANY TO PAY EXIM CLAIM AS CONDITION OF HIS RE-ENTRY. HE SUGGESTED EMBASSY SUBMIT DIPLOMATIC NOTE REQUESTING SARG ADD EXIM CLAIM TO THOSE CURRENTLY UNDER NEGOTIATION WITH BOUSTANY. REQUEST GUIDANCE ON COMPOSITION OF NOTE. END SUMMARY.

2. AMBASSADOR DISCUSSED EXIM CLAIM WITH MIN ECONOMY AND FGN TRADE IMADI FEB 8, ASKING WHETHER ANY PROGRESS HAD BEEN MADE IN BOUSTANY'S NEGOTIATIONS WITH COMMERCIAL BANK OF SYRIA (CBS) WHICH WOULD PERMIT HIM TO SETTLE OUTSTANDING DEBTS AND RETURN TO WORK IN SYRIA. IMADI CONFIRMED THAT BOUSTANY STILL INTERESTED IN RETURNING TO SYRIA AND HAD VISITED DAMASCUS RECENTLY TO DISCUSS MATTER WITH CBS, BOUSTANY HAD ARGUED, HE SAID, THAT HIS NATIONALIZED
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PAGE 02 DAMASC 00473 01 OF 02 111655Z

PROPERTY SHOULD BE REVALUED TO REFLECT ITS CURRENT

MARKET VALUE, A POSITION WHICH CBS COULD NOT LEGALLY ACCEPT. CBS FOR ITS PART HAD MADE CLEAR THAT BOUSTANY WOULD HAVE TO PAY ALL OUTSTANDING DEBTS TO SYRIAN GOVERNMENT ENTITIES IF HE WISHED TO RETURN.

3. AMBASSADOR ASKED WHETHER ALL ASSETS, INCLUDING BANK ASSETS, OF GEORGE R. BOUSTANY AND FILS HAD BEEN INCLUDED IN 1965 NATIONALIZATION DECREE. IMADI REPLIED IN AFFIRMATIVE BUT DENIED THAT ANY EVIDENCE OF DEBT TO EXIM HAD APPEARED IN INVENTORIES PREPARED BY GOVT EXAMINERS AT THAT TIME. WHEN AMBASSADOR ASKED WHETHER USG COULD EXAMINE THOSE INVENTORIES IN ORDER TO TRY TO TRACE DOWN OLIVER-BOUSTANY TRANSACTION, MINISTER REPLIED INDIRECTLY IN NEGATIVE SAYING BOUSTANY HAD ALSO ASKED FOR ACCESS TO INVENTORIES BUT IT HAD NOT BEEN POSSIBLE.

4. AT THIS POINT IMADI ASKED DEPUTY MINISTER AZMED TO JOIN MEETING AND BRING MINISTRY'S FILE ON BOUSTANY NATIONALIZATION. AZMEH THEN READ FROM ADVISORY LEGAL OPINION WHICH IMADI HAD REQUESTED FOLLOWING OUR EARLIER MEETINGS ON SAME SUBJECT. OUR UNDERSTANDING OF ADVISORY OPINION AS FOLLOWS:
(A) NATIONALIZATION DECREE NO. 77 ISSUED APRIL 24, 1965.
(B) GOVT EXAMINERS COMPLETED INVENTORY AND VALUED BOUSTANY ASSETS AT L.S. 520,050.
(C) SYRIAN GOVERNMENT ADVERTISED IN FOUR NEWSPAPERS (ALEPPO, DAMASCUS, BEIRUT AND BAGHDAD) FOR BOUSTANY CREDITORS TO COME FORWARD WITH CLAIMS. ABOUT TWELVE CREDITORS DID SO CLAIMING DEBTS IN TOTAL AMOUNT OF L.S. 2,217,080. AMERICAN BANKS COULD HAVE COME FORWARD TO PRESENT CLAIMS AT THIS TIME, BUT THEY DID NOT.
(D) SYRIAN COURT DECISION ON AUGUST 10, 1965 DECLARED BOUSTANY BANKRUPT. ACCORDING TO TERMS OF NATIONALIZATION DECREE, COURT'S FINDINGS AND CERTIFICATION OF INVENTORIES WERE FINAL AND NOT SUBJECT TO APPEAL.

5. IMADI AND AZMEH ADMITTED THAT ASSETS MIGHT HAVE BEEN UNDERVALUED IN INVENTORIES BUT STATED THAT NO LIMITED OFFICIAL USE

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PAGE 03 DAMASC 00473 01 OF 02 111655Z

FURTHER REVIEW WAS POSSIBLE AFTER COURT DECISION. IN OTHER WORDS, UNDER SYRIAN LAW SYRIAN GOVT WAS NOT SUCCESSOR-IN-INTEREST TO BOUSTANY BECAUSE SYRIAN COURT DECISION WOUND UP BOUSTANY'S AFFAIRS PRIOR TO COMPLETION OF NATIONALIZATION PROCESS. AZMEH ALSO ADMITTED LIKELIHOOD THAT IN ANTICIPATION OF NATIONALIZATION BOUSTANY HAD PROBABLY FOUND WAYS OF TRANSFERRING MUCH OF HIS WEALTH ABROAD.

6. WHEN WE ASKED AZMEH WHETHER WE COULD HAVE COPY OF ADVISORY OPINION FOR OUR FILES, HE SAID HE WOULD BE GLAD TO INCORPORATE ITS FINDINGS INTO DIPLOMATIC NOTE IF WE WISHED. WE DECLINED, NOT WISHING TO HAVE ADVISORY OPINION TRANSLATED INTO OFFICIAL SARG POSITION AT THIS TIME. NOTE: WE DID NOT GIVE IMADI DOCUMENTATION RELATED TO EXIM CLAIM FOR TWO REASONS: (A) BECAUSE WE THOUGHT SARG MIGHT TRY TO SEPARATE BOUSTANY'S COTTON GINNING OPERATIONS WHICH WERE NATIONALIZED FROM HIS GENERAL IMPORT-EXPORT OPERATIONS AND WE WANTED TO TRY TO GAIN ACCESS TO OFFICIAL INVENTORIES FIRST, AND (B) BECAUSE XEROX COPIES OF DOCUMENTS RECEIVED BY EMBASSY ARE NOT ALL READABLE. IN PARTICULAR WE NEED COMPLETE AND LEGIBLE COPIES OF PROMISSORY NOTE NO. 356 AND EXPORTERS CERTIFICATE TO B AND A IF WE ARE TO PRESENT THEM OFFICIALLY TO SARG.

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PAGE 01 DAMASC 00473 02 OF 02 101433Z

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ACTION NEA-09

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R 101349Z FEB 75

FM AMEMBASSY DAMASCUS

TO SECSTATE WASHDC 2615

INFO AMEMBASSY BEIRUT

LIMITED OFFICIAL USE SECTION 2 OF 2 DAMASCUS 0473

7. SINCE FINAL PAYMENTS TO BOUSTANY CREDITORS HAD NOT BEEN MADE, DR. AZMEH SPOKE OF POSSIBILITY FINDING WAY TO ADD EXIM TO LIST. HE WAS NOT SURE WHETHER OR HOW THIS COULD BE DONE AND IN ANY EVENT THIS COURSE COULD RESULT IN EXIM SHARING SAME LOW PERCENTAGE RETURN AS OTHER CREDITORS IF BOUSTANY'S CURRENT NEGOTIATIONS WITH COMMERCIAL BANK OF SYRIA DID NOT RESULT IN BOUSTANY PUTTING UP FUNDS TO PAY

OFF HIS CREDITORS.

8. IMADI SUGGESTED THAT AT SAME TIME EXIM PURSUE CLAIM AGAINST BOUSTANY IN PERSON. AMBASSADOR REPLIED THAT IT WAS HIS UNDERSTANDING THAT EXIM WOULD NOT WISH TO DO THIS, BOTH BECAUSE THE DEBT WAS A CORPORATE RATHER THAN INDIVIDUAL ONE AND BECUASE IT WAS EXIM'S POLICY TO LOOK TO THE NATIONALIZING GOVERNMENT TO SETTLE CLAIMS OF THIS SORT.

9. IMADI AND AMBASSADOR AGREED THAT MOST SATISFACTORY WAY TO PROCEED AT THIS POINT WAS FOR SYRIAN GOVT TO REQUIRE THAT BOUSTANY PAY EX-IM DEBT AS PART OF PRICE FOR RE-ENTRY TO SYRIA. IMADI AGREED THAT MINISTRY OF ECONOMY AND FOREIGN TRADE WOULD TAKE THIS POSITION VIS-A-VIS BOUSTANY, RECOGNIZING THAT ITS EFFECT MIGHT ONLY BE TO DISCOURAGE HIM FROM SEEKING TO RETURN TO SYRIA. IMADI SUGGESTED EMBASSY SUBMIT NOTE TO SARG LIMITED OFFICIAL USE

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PAGE 02 DAMASC 00473 02 OF 02 101433Z

REQUESTING GOVERNMENT TO ADD EX-IM CLAIM TO THOSE PRESENTLY UNDER NEGOTIATION WITH BOUSTANY.
ACTION REQUESTED: WOULD APPRECIATE DEPT AND EX-IM REACTION TO FOREGOING DISCUSSION AND GUIDANCE ON COMPOSITION OF APPROPRIATE DIPLOMATIC NOTE TO SARG.
MURPHY

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